

differences between 772 and 585. One, as Senator Johnson and Senator Wesely alluded to briefly, was the fact that we are switching over, for unitary purposes, to a sales only formula, and that is going to be mandatory. That is a change in what we have right now in our unitary tax system. We have a payroll property and sales factor, three factor formula for figuring income tax due to the State of Nebraska. Senator Pappas was going to allude to an issue, I thought he was going to pursue, when he asked Senator Johnson about who loses in this situation. And what Senator Johnson did not tell you is that, yes, there are many companies that will lose, many kinds of operations that lose under this changeover, the major one, of course, is the oil companies. Because, in fact, if you have a large amount of sales in the State of Nebraska, and very little in the way of payroll and property, then your tax formula changes drastically. LB 772 will adversely affect the oil companies, to name one major industry, and affect them very, very significantly. What 585 was going to do was give us a one-time election, allow those people to either stay on our present formula, or to change over to the sales only formula, be a one-time election, once you are set there, you are set there unless you came back with some special circumstance to change it. But the committee has gone with 772. Of the two choices, if we were going to take one or the other, I prefer, and I think that most of you would prefer the sales only formula because it does one major thing for us, it encourages the companies that have sales in the State of Nebraska to indeed stay here with their payroll, stay here with their property, their plant and their production things, because it is no negative impact on them to have those facilities stay in the state, and as a matter of fact have those facilities grow here. Certainly no disincentive to have that, which in fact is the case we have right now for many corporations under our present formulation. If you have a large payroll and a large plant in the State of Nebraska and a small sale proportion in the State of Nebraska, there is a large incentive to move out of the state, because of our tax policy. So 772 does change that, and that is a good change. I would have preferred, and I know that there are many other kinds of operations would have preferred to have the election of staying under the present formula or changing. That is not what the committee has done. They did not allow that election only because of the possible revenue...additional revenue loss, and it could have been substantial, could have been three or four million dollars when it was fully phased in. I'll let you make that decision as to whether you think it was right or not. Most importantly, however, 585 dealt with what Senator Johnson talked to you